



# IOOF to acquire ANZ's OnePath Pensions and Investments business and Aligned Dealer Groups

17 October 2017



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This presentation has been prepared in relation to:

- the acquisition of the Aligned Dealer Groups (**ADGs**) and Pensions and Investments (**P&I**) businesses (together, **ANZ Wealth Management**) conducted by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 (**ANZ**) and certain of its subsidiaries, to be effected by way of the acquisition of shares in certain subsidiaries of ANZ (such subsidiaries the **Target Group Entities** and such acquisition the **Acquisition**); and
- an equity raising to part fund the Acquisition, comprising a placement of fully paid ordinary shares in IOOF (**New Shares**) to institutional investors (**Institutional Placement**) and an offer of New Shares to eligible shareholders under a share purchase plan (**SPP**, and together with the Institutional Placement, the **Offer**).

## Summary information

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All dollar values are in Australian dollars (A\$) unless otherwise stated and financial data is presented as at or for the full year ended 30 June 2017 for the Company and as at or for the full year ended 30 September 2017 for ANZ Wealth Management, unless stated otherwise.

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## About the transaction

# Transaction highlights



<div>1</div> <div>Transaction Overview</div>	<ul style="list-style-type: none"> <li>IOOF Holdings Limited (<b>IOOF</b>) has agreed to acquire ANZ's OnePath Pensions and Investments business and Aligned Dealer Groups business (<b>ANZ Wealth Management</b>) for cash consideration of A\$975m (subject to a Completion adjustment)</li> <li>IOOF estimates separation and integration costs of approximately A\$130m to be spent over 3 years</li> <li>IOOF will enter into a 20 year Strategic Alliance Agreement with ANZ to distribute IOOF wealth products to ANZ customers (excluding private bank customers) through ANZ's Australian banking network</li> <li>Transaction will be funded through ~A\$450m fully underwritten Institutional Placement, a share purchase plan (<b>SPP</b>) and new debt facilities</li> <li>Completion is expected in around 12 months (<b>Completion</b>)</li> </ul>
<div>2</div> <div>Strategic Rationale</div>	<ul style="list-style-type: none"> <li>Consistent with IOOF's disciplined acquisition strategy</li> <li>Highly complementary business - IOOF will become the 5<sup>th</sup> largest platform provider in Australia by FUAdmin and the 2<sup>nd</sup> largest advice group by FUAdvice and by adviser numbers<sup>1</sup></li> <li>Substantially increases scale - FUAdvice up 34%, financial adviser numbers up 71% and FUAdmin up 125%</li> <li>Attractive 20 year Strategic Alliance Agreement provides access to ~5.6m retail and ~0.5m corporate, business and SME customers via ANZ channels including ANZ Financial Planning (<b>ANZ FP</b>) advisers (in ANZ branches and over the phone) and digital channels</li> <li>IOOF well placed to manage separation and integration and achieve meaningful operating cost synergies                             <ul style="list-style-type: none"> <li>Pre-tax cost synergies expected to be approximately A\$65m p.a. from FY2021</li> <li>Improved revenue expected through product rationalisation and alignment (excluded from EPS accretion)</li> </ul> </li> </ul>
<div>3</div> <div>Financial Impact</div>	<ul style="list-style-type: none"> <li>Attractive valuation based on earnings which already reflect significant legacy closed product rationalisation                             <ul style="list-style-type: none"> <li>Price to earnings of 15.5x based on FY2017A UNPAT (9.0x including anticipated run rate cost synergies)</li> <li>EBIT multiple of 9.8x based on FY2017A EBIT (5.5x including anticipated run rate cost synergies)</li> </ul> </li> <li>Anticipated mid single digit EPS accretion in FY2019<sup>2</sup>, expected to increase to ~15%+ in the first full year and over ~20%+ thereafter<sup>3</sup> <ul style="list-style-type: none"> <li>Dilutive to FY2018 cash EPS from increased share capital in period prior to Completion<sup>2</sup></li> </ul> </li> <li>Utilises IOOF gearing capacity with modest gearing of ~1.3x combined EBITDA (excluding synergies)<sup>4</sup></li> </ul>

1. Sourced from Money Management Top 100 Financial planning group survey 2017. Refer to page 12 of this presentation for more details.

2. Assuming Completion in around 12 months, resulting in partial contribution in FY2019.

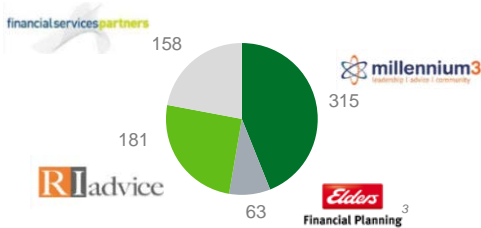
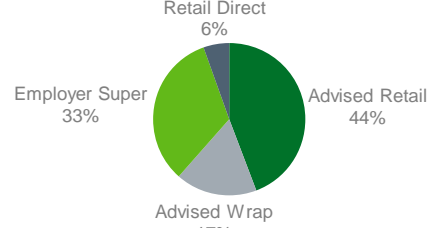
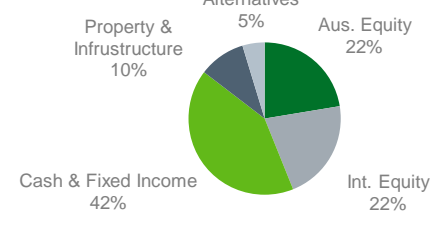
3. Based on IOOF's share price of A\$11.26 as at 16 October 2017. Assumes Completion in around 12 months. Timing of Completion and cost synergy realisation will drive final outcomes for IOOF future results.

4. Pro-forma net debt of A\$433m divided by combined 30 June 2017 EBITDA for IOOF and 30 September 2017 EBIT for ANZ Wealth Management, assuming a full year contribution from the Acquisition and no synergies. Does not include integration and separation costs which will be funded over time from available cash or incremental borrowings.

# Highly complementary business



ANZ Wealth Management is a **comprehensive wealth management and advice** business with **strong market positions**

	Aligned Dealer Groups (ADGs)	Pensions and Investments (P&I)	
	Advice	Platform	Investment Management
<b>Business Overview</b>	<ul style="list-style-type: none"> <li>Four aligned dealer groups; managed by ANZ Wealth Management:                             <ul style="list-style-type: none"> <li>31 March 2017 FUAdvice<sup>1</sup>: A\$19.5bn</li> <li>31 March 2017 In-force premiums<sup>1</sup>: A\$353m</li> <li>~ 717 financial advisers<sup>2</sup></li> </ul> </li> <li>ADGs sell ANZ Wealth Management and 3<sup>rd</sup> party superannuation, pension and investment and insurance products</li> </ul>	<ul style="list-style-type: none"> <li>Platform business across retail and corporate                             <ul style="list-style-type: none"> <li>Advised retail – advised platform providing access to OnePath and 3<sup>rd</sup> party investment offerings – OneAnswer Frontier</li> <li>Advised wrap – a competitive solution offering badged wrap products (administered by Macquarie) – Grow Wrap, Oasis, Portfolio One</li> <li>Employer Super – simple, low fee MySuper product – Smart Choice Employer</li> <li>Retail Direct – simple, low cost Direct super solution – Smart Choice Retail</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>In-house multi-asset management team with OptiMix as flagship product                             <ul style="list-style-type: none"> <li>OptiMix is a model portfolio product, giving customers access to a range of actively managed, expertly diversified investment portfolio options</li> </ul> </li> <li>Invests in a number of asset classes including global and Australian equities, global and Australian fixed income, alternative growth and alternative defensive</li> </ul>
<b>Key metrics</b>	 <p>Number of advisers: 717<sup>2</sup></p>	 <p>FUAAdmin (31 March 2017): A\$46.6bn<sup>4</sup></p>	 <p>FUM (31 March 2017): ~A\$23.7bn<sup>5</sup></p>

1. Closing FUAdvice and In-force premiums as at 31 March 2017.

2. Financial adviser numbers sourced from ASIC (as at 3 October 2017).

3. Elders Financial Planning is 51% owned by millennium3 Financial Services.

4. FUAAdmin values of A\$46.6m does not include A\$1.7bn of FUAAdmin that will be acquired as part of the Perimeter Adjustments.

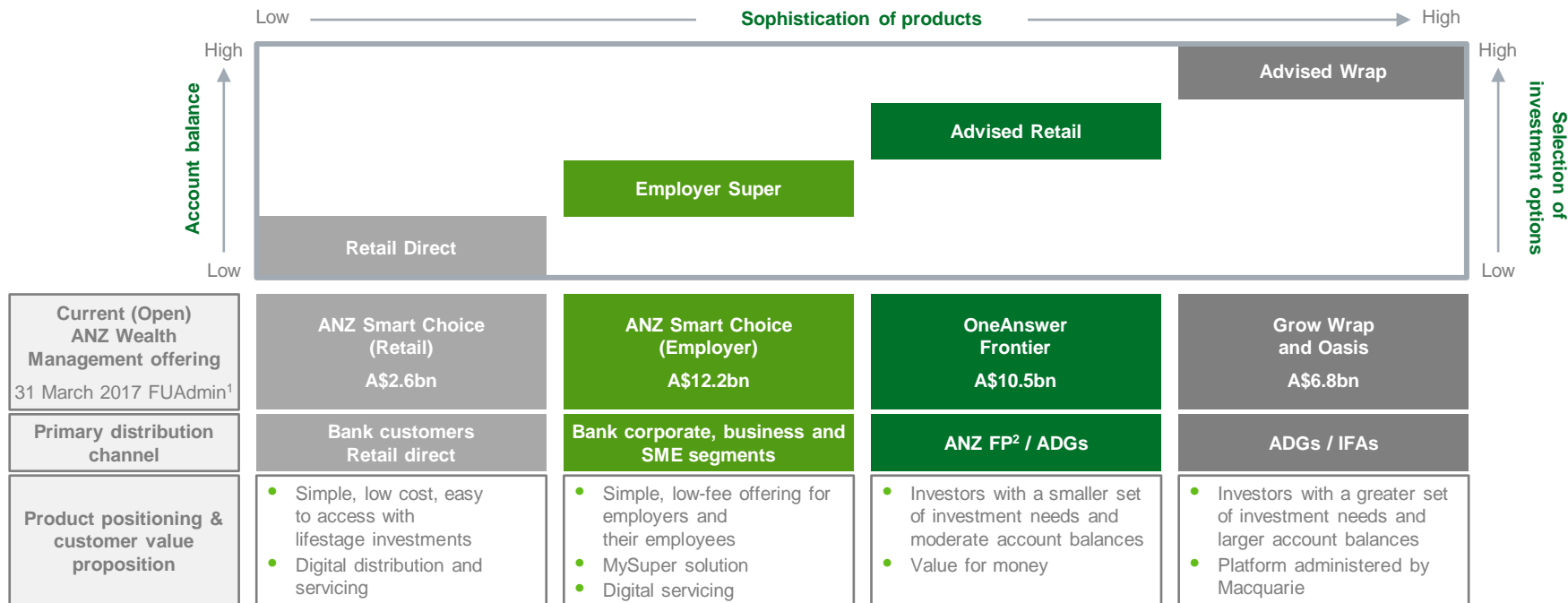
5. Estimate of controlled FUM. Investment Management FUM are included within the Platforms FUAAdmin.



# Platform capabilities and complementary product suite



## ANZ Wealth Management's investment open **product matrix**<sup>1</sup>



Source: ANZ.

1. FUAdmin numbers as at 31 March 2017 and excludes other closed products.

2. ANZ FP relates to ANZ Financial Planning (not acquired by IOOF) but will serve as a distribution channel under the Strategic Alliance with ANZ.

# Unique opportunity



**ANZ Wealth Management** is a unique opportunity for IOOF to **increase scale, create value** from cost synergies, and **expand its distribution** footprint

1	Highly complementary business	<ul style="list-style-type: none"><li>• Captures revenue across the value chain including advice, portfolio administration and multi-asset management</li><li>• Business closely aligns with IOOF's current advice-led strategy and existing business model</li></ul>
2	Attractive bank distribution channel	<ul style="list-style-type: none"><li>• Access to ~5.6m retail banking and ~0.5m corporate, business and SME customers via ANZ channels including ~286<sup>1</sup> ANZ FP advisers (in ANZ branches and over the phone) and digital channels</li><li>• ANZ Smart Choice super products are integrated into ANZ's internet banking platform (~3m digital users daily)</li><li>• Complements IOOF's traditional advice and employer super distribution</li></ul>
3	Enhanced scale and market position	<ul style="list-style-type: none"><li>• Strengthens IOOF's position as the 2<sup>nd</sup> largest advice business in Australia by FUAAdvice<sup>2</sup></li><li>• Substantially increases IOOF's adviser base to 1,734 – the 2<sup>nd</sup> largest in Australia<sup>2</sup></li><li>• IOOF will become the 5<sup>th</sup> largest platform provider in Australia by FUAdmin<sup>2</sup></li></ul>
4	Limited legacy product and remediation risk	<ul style="list-style-type: none"><li>• ANZ has completed significant rationalisation of many legacy products to lower fee contemporary style products</li><li>• Contractual protections provided to IOOF in respect of certain pre-Completion conduct, subject to certain limitations</li></ul>
5	Significant synergy and efficiency benefits	<ul style="list-style-type: none"><li>• Cost synergies from the proposed Acquisition are expected to be approximately A\$65m p.a. from FY2021<ul style="list-style-type: none"><li>◦ Approximately 11% of the combined cost base of IOOF and ANZ Wealth Management<sup>3</sup></li></ul></li><li>• Opportunity to eliminate duplicate back office functions and realise scale benefits</li><li>• IOOF highly experienced in management of ADGs and rationalisation of closed products</li><li>• Alignment of ANZ products with IOOF products expected to deliver an optimised offer and enhanced revenue</li></ul>

1. ANZ FP adviser number excludes Private Bank and other personnel licensed under ANZ.

2. Source: ASIC Financial Adviser data set (as at 3 October 2017), Plan for Life Sep 2017 Data (FUAdmin), Money management Top 100 Financial planning group survey 2017 (FUAAdvice), filings of various companies. Please refer to page 12 for further details.

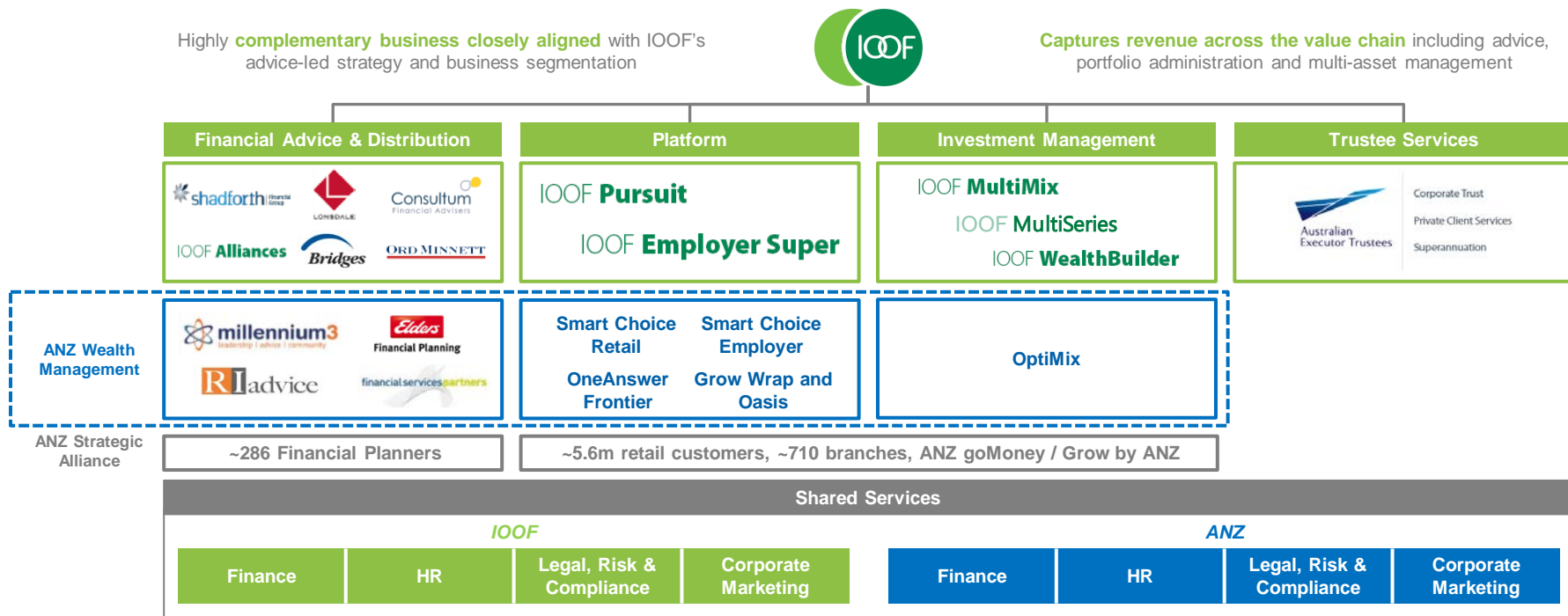
3. Combined cost base includes IOOF's operating expenses for the year ended 30 June 2017 and ANZ Wealth Management's operating expenses for year ended 30 September 2017.

# Operating model post-transaction shows natural fit with IOOF



Highly **complementary business closely aligned** with IOOF's advice-led strategy and business segmentation

**Captures revenue across the value chain** including advice, portfolio administration and multi-asset management



Scope for elimination of duplicate back office functions = **Realisation of meaningful cost synergy benefits**

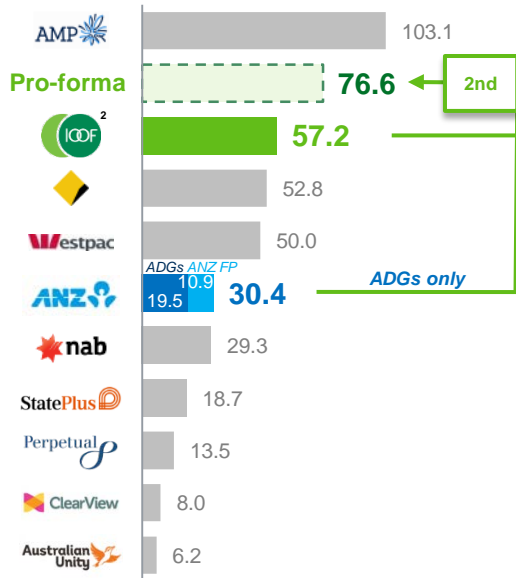
1. ANZ FP adviser number excludes Private Bank and other personnel licensed under ANZ.

# Post transaction material increase in market position

The transaction strengthens IOOF's position as the **2<sup>nd</sup> largest advice business in Australia** by FUAdvice and positions IOOF as the **5<sup>th</sup> largest platform provider** by FUAdmin

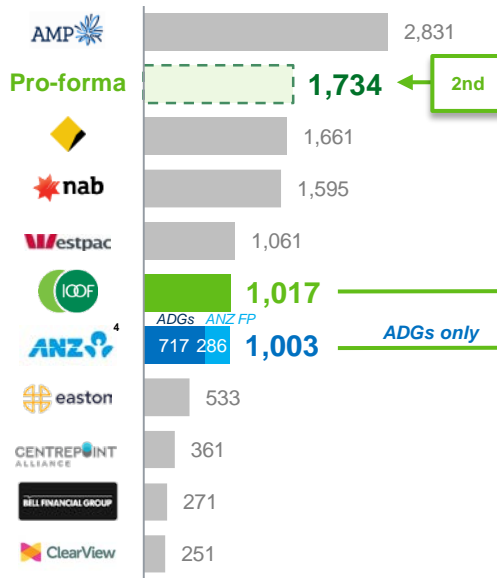
## Advice (FUAdvice)<sup>1</sup>

A\$bn



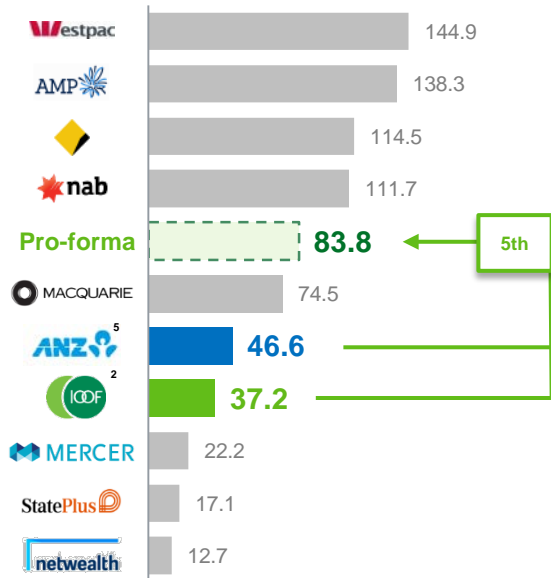
## Financial advisers<sup>3</sup>

#



## Platform (FUAdmin)

A\$bn



Source: ASIC Financial Adviser data set (as at 3 October 2017), Plan for Life Analysis of Wrap, Platform and Master Trust Managed Funds data as at June 2017 (FUAdmin), Money management Top 100 Financial planning group survey 2017 (FUAdvice).

1. Commonwealth Financial Planning, Count Financial and First State Super data reflects 2016 values as 2017 information was not provided.
2. For IOOF, FUAdvice and FUAdmin numbers have been sourced from the FUMAS update for period ended 30 June 2017.
3. Financial adviser numbers sourced from ASIC (as at 3 October 2017). Shows ranking of total current adviser licenses controlled by ASX listed companies only, does not include SMSF Advisers Network / National Tax Accountants (804 advisers), Synchronized Group (436 advisers) and Dover Financial Advisers (392 advisers). Includes advisers under broking and Private Wealth divisions for each company.
4. ANZ's ADGs adviser numbers sourced from ASIC Financial Adviser data set (as at 3 October 2017). ANZ FP adviser number excludes Private Bank and other personnel licensed under ANZ.
5. ANZ Wealth Management FUAdmin sourced from company information (as provided by ANZ) as at 31 March 2017. Value excludes A\$2.6bn of "Other P&I" products which IOOF will not acquire as part of this transaction and includes A\$8.1bn associated with Wrap products which are administered by Macquarie. FUAdmin value excludes Perimeter Adjustments.

# Combination analysis



The transaction will **significantly increase the scale** of IOOF's core business

Key metric<sup>1</sup>



ANZ Wealth Management

Combined

Key metric <sup>1</sup>	IOOF	ANZ Wealth Management	Combined
Customers (#)	~500,000	~770,000 <sup>2</sup>	~1.27m
FUAdmin (A\$m)	37,228	46,587	83,815 (+125%)
FUAdvice (A\$m)	57,153	19,476 (ADGs only)	76,629 (+34%)
FUM (A\$m)	20,600	23,708 <sup>3</sup>	44,308 (+115%)
Financial Advisers (#) <sup>4</sup>	1,017	717 ADGs 286 <sup>7</sup> ANZ FP (via ANZ Strategic Alliance Agreement)	1,734 (+71%)
Employees (#)	2,000+	~1,200	~3,200 (+60%)
Net operating revenue by division (FY2017) <sup>5,6</sup>	<p>A\$566m</p>	<p>A\$336m</p>	<p>A\$902m</p>

Source: ANZ, IOOF, Money Management Top 100 Financial planning group survey 2017. Note: ANZ Wealth Management financials do not include Perimeter Adjustments (refer to slide 15 for additional information).

1. Latest reported FUAdmin, FUAdvice, FUM, adviser and employee numbers for IOOF. Financials for ANZ Wealth Management are FY2017A for year ended 30 September 2017.

2. ANZ Wealth Management reports ~770,000 active accounts for P&I business excluding Perimeter Adjustments.

3. Estimate of controlled FUM. Investment Management FUM are included within the Platforms FUAdmin.

4. Adviser numbers sourced from October 2017 ASIC adviser numbers, includes Ord Minnett. Adviser number for ANZ Wealth Management includes numbers from ADGs - RI, Millennium 3 (including Elders) and Financial Services Partners only.

5. FY2017 net operating revenue includes other revenue. Gross margin for P&I and ADG businesses of ANZ Wealth Management for year ended 30 September 2017. Excludes Perimeter Adjustments.

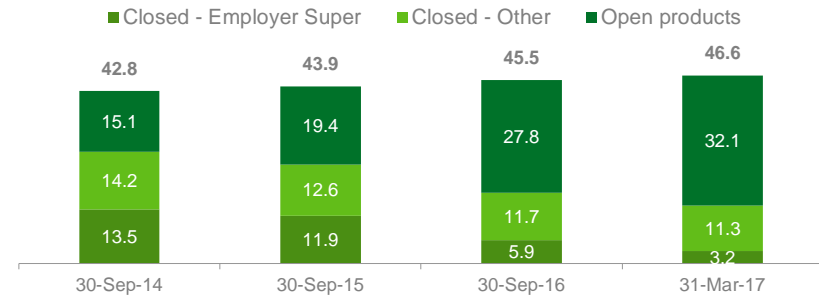
6. For the combination analysis, ANZ Wealth Management's P&I and ADGs have been classified as platform management and administration and financial advice and distribution respectively. Excludes Perimeter Adjustments.

7. ANZ FP adviser number excludes Private Bank and other personnel licensed under ANZ.

# Product transition substantially complete

ANZ Wealth Management has been **proactive at transitioning platform products** away from higher fee, legacy products

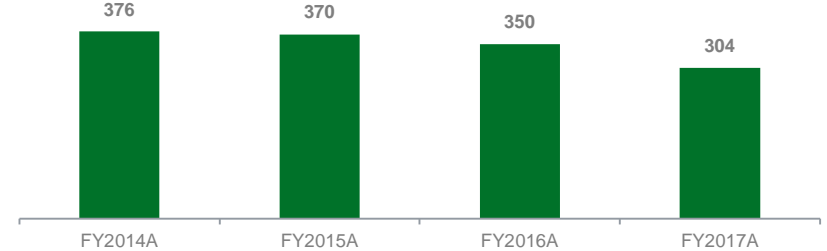
Platform – Closing FUAdmin (A\$bn)<sup>1</sup>



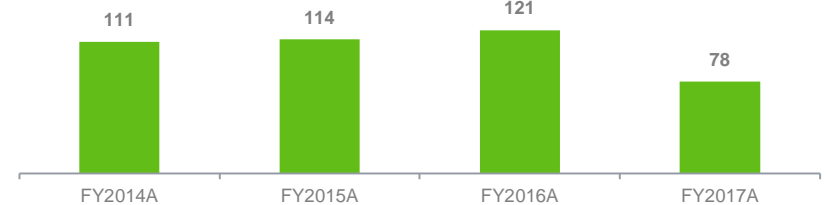
Platform – Net flows (A\$bn)<sup>1</sup>

A\$bn	FY2014A	FY2015A	FY2016A	1H2017A
Closed	(3.5)	(3.4)	(2.5)	(1.0)
Open	3.9	3.5	1.7	0.5
Total	0.5	0.1	(0.8)	(0.5)

Platform – Gross margin (A\$m)<sup>1, 2</sup>



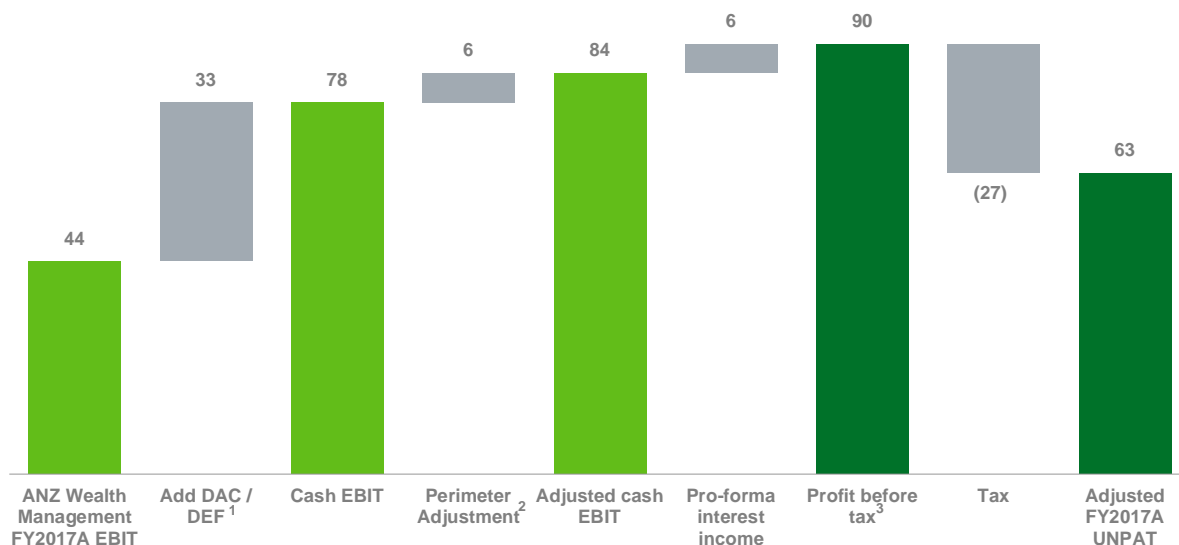
ANZ Wealth Management Cash EBIT (A\$m)<sup>1, 3</sup>



Source: ANZ. Note: Financials do not include Perimeter Adjustments (refer to slide 15 for additional information).  
<sup>1</sup> FY2014A – FY2017A are on 30 September year end basis. 1H2017 is for the 6 months ended 31 March 2017.  
<sup>2</sup> Represents total revenue less volume based expenses for P&L.  
<sup>3</sup> Excludes non cash deferred acquisition amortisation charges. Excludes Perimeter Adjustments.

# Adjusted cash earnings for year ended 30 September 2017

**Product transition** to lower margin products **substantially completed** during year ended 30 September 2016 with impact reflected in results to 30 September 2017. Rebased UNPAT expected to be ~A\$60m based on transitioned product mix



- Deferred acquisition costs and deferred establishment fees are non-cash costs that will be adjusted with purchase accounting. They are non cash costs related to legacy products
- IOOF has agreed with ANZ certain Perimeter Adjustments, fees and rebates for various services in both directions
- Pro-forma interest income based on A\$302m of financial assets included within the perimeter of the Acquisition

Source: ANZ.

1. Non-cash deferred acquisition costs and deferred establishment fees. Source: ANZ.

2. Reflects agreed Acquisition structure with ANZ.

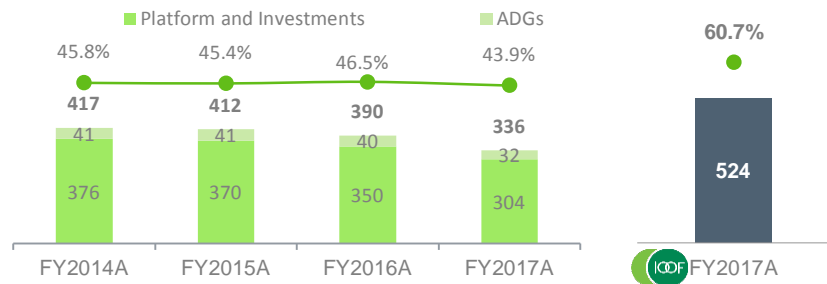
3. At assumed corporate tax rate of 30%.

# Significant opportunity to improve the business

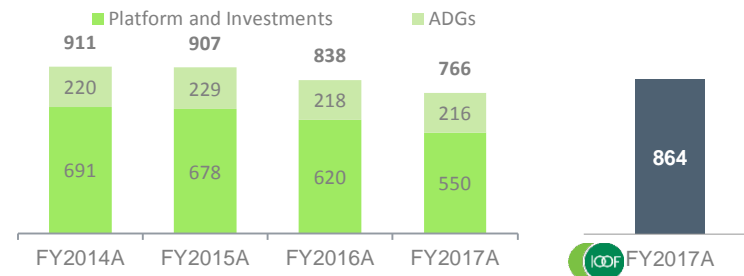


Significant opportunity to **enhance the performance** of ANZ Wealth Management towards IOOF's profitability level

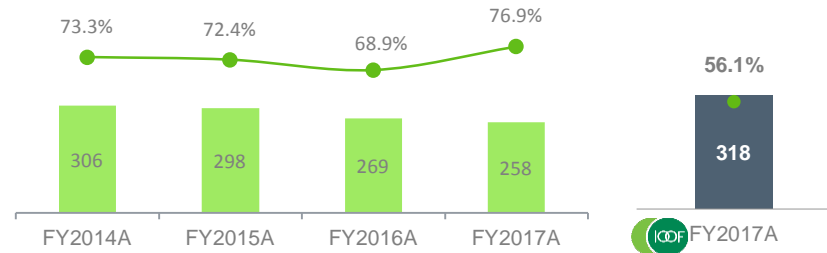
ANZ Wealth Management gross margin (A\$m) and gross margin to gross income (%)<sup>1, 4</sup>



ANZ Wealth Management gross income (A\$m)<sup>2, 4</sup>



ANZ Wealth Management operating expenses (A\$m) and cost to income (%)<sup>3, 4</sup>



Anticipated cost synergy and revenue potential

## Anticipated cost synergies

- Back office rationalisation
- Simplification of IT
- Removal of duplicate positions
- Adviser services and support
- Vendor rationalisation

## Revenue potential

- Optimised product pricing and features
- Digital distribution and servicing
- Deeper penetration of ANZ customer base

Approximately A\$65m from FY2021

Not reflected in EPS accretion estimates

Source: ANZ. Note: Financials do not include Perimeter Adjustments (refer to slide 15 for additional information).

1. Gross margin for P&I = Gross income – volume based expenses; gross margin for ADGs = trading income – volume based expense + other income.

2. Represents the total of gross income from P&I division and trading income from ADGs division.

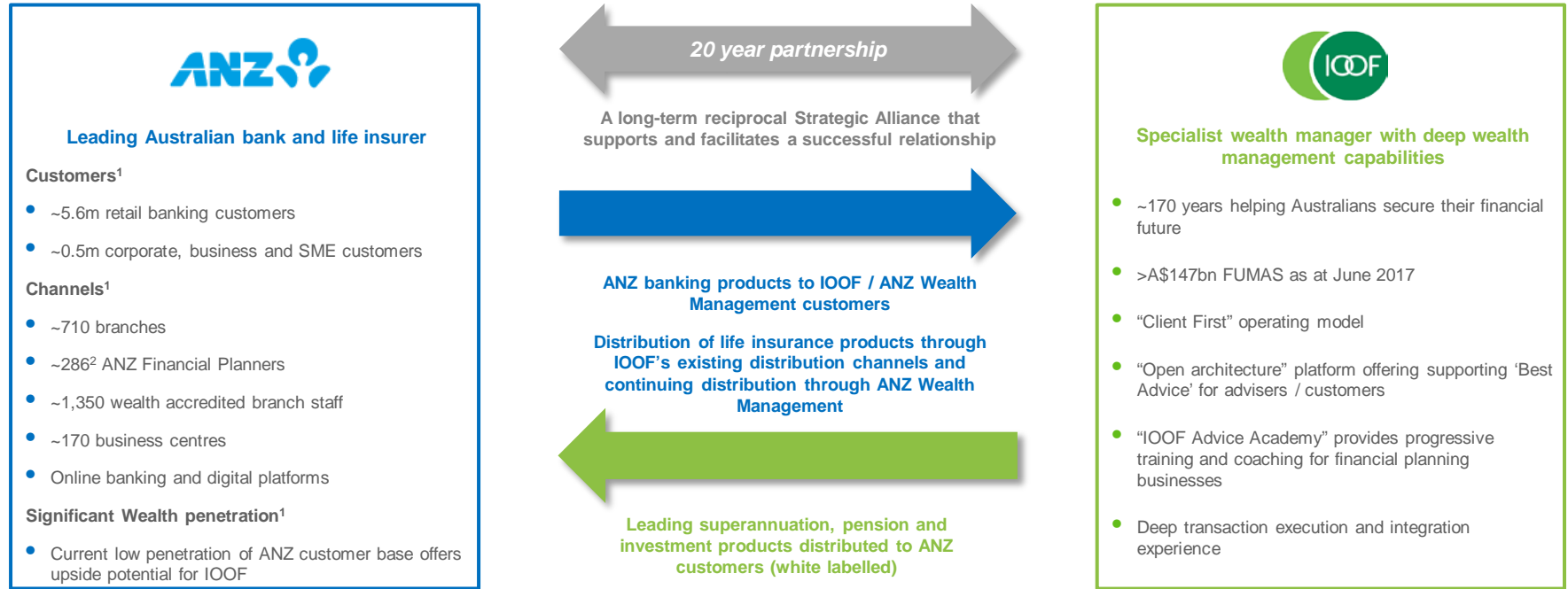
3. Cost to income computed as operating expenses / net operating revenue (equivalent to Gross Margin for ANZ Wealth Management).

4. ANZ Wealth Management FY2014 – FY2017 are on 30 September year end basis. IOOF FY2017A financials are for year ended 30 June 2017.



# Highly valuable **partnership** with ANZ

**20 year partnership** with **ANZ** provides unique access to an **attractive and complementary** distribution channel



1. Source: ANZ.

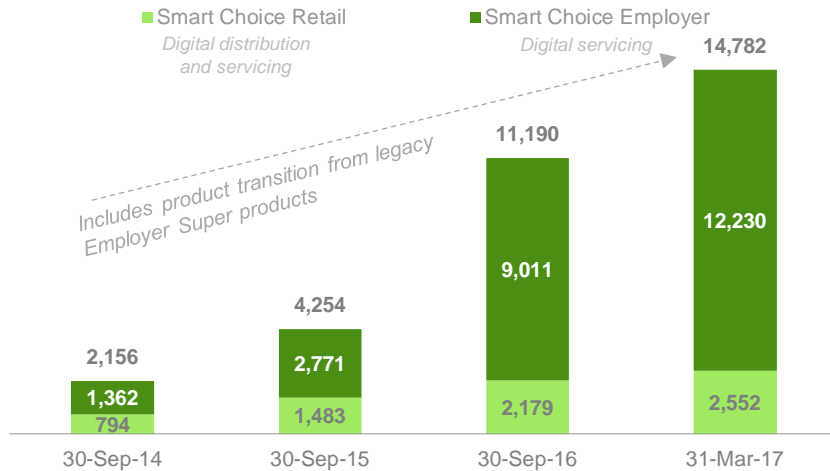
2. ANZ FP adviser number excludes Private Bank and other personnel licensed under ANZ.

# Digital distribution and servicing platform

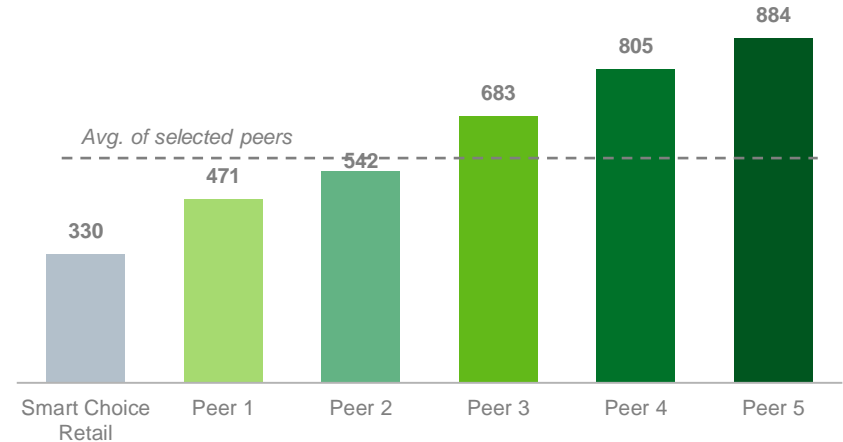
The addition of a **large scale digital distribution and servicing platform** combined with a bank distribution channel substantially expands IOOF's distribution footprint

- A\$15bn of Smart Choice FUAAdmin now on lower cost, digitally-enabled platform
- Access to ~3m digital users via ANZ.com, ANZ Internet Banking, ANZ goMoney and Grow by ANZ
- Potential for revenue upside through digital distribution and product pricing

Smart Choice Closing FUAAdmin (A\$m)



Illustrative Annual Retail Customer Fee (A\$ p.a.)<sup>1</sup>



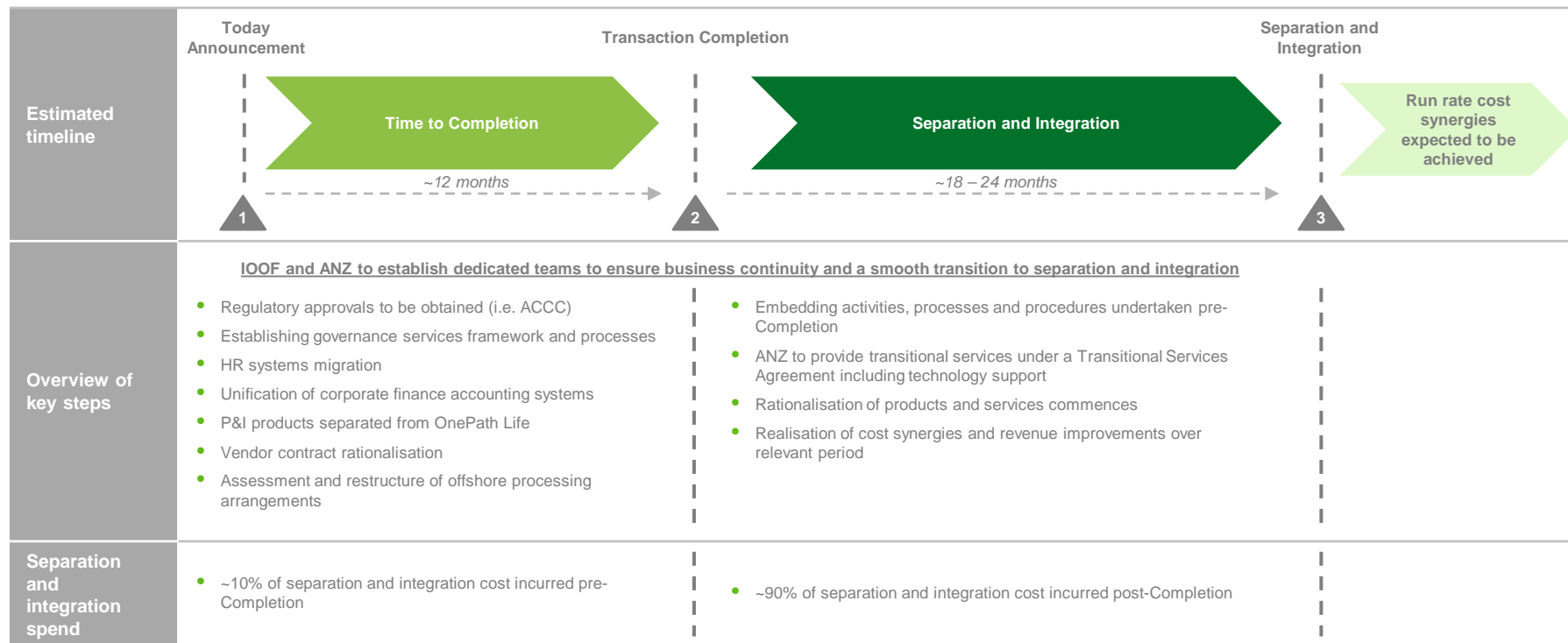
Source: ANZ.

1. Based on fees charged for a balance of A\$50k. Includes account keeping fees, investment management fees, administration costs and indirect costs. Peer group includes CBA, WBC, NAB, AMP and IOOF.

# Separation and integration timeline



The estimated transaction timeline **minimises execution risk** in implementing the proposed separation and integration



# Financially attractive transaction



1	Reflects Attractive Valuation	<ul style="list-style-type: none"> <li>Attractive acquisition multiple relative to recent transactions in the wealth management industry</li> <li>Price to earnings of 15.5x based on FY2017A UNPAT (9.0x including anticipated run rate cost synergies)</li> <li>EBIT multiple of 9.8x based on FY2017A EBIT (5.5x including anticipated run rate cost synergies)</li> </ul>
2	Delivers Significant Synergies	<ul style="list-style-type: none"> <li>Pre-tax cost synergies expected to be approximately A\$65m from FY2021</li> <li>Improved revenue expected through product rationalisation and alignment with IOOF products</li> <li>Significant anticipated cost synergies reflect the highly complementary nature of IOOF and ANZ Wealth Management businesses</li> </ul>
3	Highly Accretive to EPS	<ul style="list-style-type: none"> <li>Anticipated mid single digit EPS accretion in FY2019<sup>1</sup>, expected to increase to ~15%+ in the first full year and over ~20%+ thereafter<sup>2</sup></li> <li>Dilutive to FY2018 cash EPS from increased share capital in period prior to Completion<sup>1</sup></li> </ul>
4	Continued High Dividend Payout Strategy	<ul style="list-style-type: none"> <li>Intend to maintain absolute dividend per share in financial year ending 30 June 2018 in line with prior year, notwithstanding anticipated marginal cash EPS dilution</li> <li>Intention to revert to current dividend payout ratio following Completion</li> </ul>
5	Maintains Financial Flexibility	<ul style="list-style-type: none"> <li>Acquisition utilises IOOF balance sheet capacity given current minimal net debt</li> <li>ANZ Wealth Management also has no debt and is fully capitalised today with respect to regulatory capital<sup>3</sup></li> <li>Modest gearing of 1.3x combined EBITDA (excluding synergies)<sup>4</sup></li> </ul>

1. Assuming Completion in around 12 months, resulting in partial contribution in FY2019.

2. Based on IOOF share price of A\$11.26 as at 16 October 2017. Assumes Completion in around 12 months. Timing of Completion and anticipated cost synergy realisation will drive final outcomes for IOOF future results.

3. Sourced from ANZ.

4. Pro-forma net debt of A\$433m divided by combined 30 June 2017 EBITDA for IOOF and 30 September 2017 EBIT for ANZ Wealth Management, assuming a full year contribution from the Acquisition and no synergies. Does not include integration and separation costs which will be funded over time from available cash or incremental borrowings.

# Transaction funding<sup>1, 2</sup>



The transaction will be funded through a **combination of a fully underwritten equity placement, a share purchase plan and debt**

1

## Purchase Price

- Total cash consideration payable to ANZ of A\$975m including regulatory capital<sup>3</sup>
- Assumes net assets of A\$210m, including A\$302m of financial assets

2

## Funding

- Acquisition to be funded by:
  - Fully underwritten ~A\$450m Institutional Placement, launched today
  - SPP to raise up to ~A\$100m (subject to discretion of IOOF Board)
  - Balance funded through new debt facilities
- Committed bridge facility of A\$455m expected to be refinanced by longer term debt facilities prior to Completion

## Uses

Purchase Price	A\$975m <sup>3</sup>
Acquisition and Financing Costs	A\$30m
<b>Total</b>	<b>A\$1,005m</b>

## Financing at Completion (Expected to be in around 12 months)

Placement Proceeds	~A\$450m
SPP Proceeds	up to ~A\$100m
Refinanced Bridge Facility <sup>2</sup>	A\$455m
<b>Total</b>	<b>A\$1,005m</b>

**Estimated separation and integration cost of approximately A\$130m over 3 years to be funded from available cash or incremental borrowings**

<sup>1</sup> Prior to Completion, the equity proceeds will be partly used to pay transaction costs (~A\$30m) and some pre-Completion separation and integration costs (~10% of the estimated A\$130m), with the balance used to reduce current drawn facilities or placed on deposit.

<sup>2</sup> In the event that no new term facilities are in place the bridge facility would be used to repay existing debt facilities and complete the Acquisition.

<sup>3</sup> As per page 7, subject to Completion adjustment.

# Other key transaction terms

1	Timing	<ul style="list-style-type: none"> <li>Completion is expected in around 12 months</li> <li>Timing of Completion ultimately subject to satisfaction of closing conditions</li> </ul>
2	Closing Conditions	<ul style="list-style-type: none"> <li>Certain transfers or redemption occurring as part of the separation of the ANZ Wealth Management business</li> <li>Certain regulatory approvals (including ACCC), as well as other licensing requirements (i.e. ASIC)</li> </ul>
3	OnePath Life	<ul style="list-style-type: none"> <li>Well defined arrangements with OnePath Life and ANZ FP as part of ongoing strategic relationship</li> <li>Transaction terms include certain protections for IOOF in the event of a change of control of OnePath Life</li> </ul>
4	Other	<ul style="list-style-type: none"> <li>Contractual protections provided to IOOF in respect of certain pre-Completion conduct, subject to certain limitations</li> <li>Pre-Completion obligations in respect of conduct of business</li> <li>Separate obligations in respect of separation of business from ANZ and provision of transitional services by ANZ until separation is completed</li> <li>Purchase price adjusted for net assets at Completion</li> <li>Customary warranty and liability regime</li> </ul>
5	Strategic Alliance	<ul style="list-style-type: none"> <li>20 year Strategic Alliance Agreement with ANZ to distribute IOOF wealth products through ANZ's Australian banking network</li> <li>Enables IOOF to market white label superannuation or pension products to a broad network (comprising of ~5.6m retail customers, ~0.5m corporate, business and SME customers)</li> </ul>

## Outlook for IOOF

IOOF reaffirms its business is in a **strong financial position**, underpinned by **positive industry fundamentals** and **demographic trends**

- ✓ There have been **no material changes** to current market conditions impacting IOOF as described at the release of FY17 results
- ✓ Management is confident that the execution of the advice-led strategy will continue to see **key financial metrics trending in the right direction**
- ✓ **Cost control** will remain a key element of IOOF's performance and will be a substantial driver in **delivering value** to our shareholders following the Acquisition

- ✓ **Transformational** transaction consistent with IOOF's disciplined acquisition strategy
- ✓ **20 year Strategic Alliance** with ANZ provides access to complementary distribution channels
- ✓ **Significant anticipated cost synergies and revenue potential** identified
- ✓ **Strong EPS accretion** expected as cost synergies delivered
- ✓ **Track record** of business simplification, integration, and rationalisation
- ✓ **Funding** structure utilises IOOF's strong balance sheet, introducing modest leverage

Expected to deliver significant value to IOOF shareholders



# Equity Raising summary



Structure and Size	<ul style="list-style-type: none"><li>Fully underwritten Institutional Placement to raise approximately A\$450m via the issue of ~43.5m new shares</li></ul>
Offer Price	<ul style="list-style-type: none"><li>Placement underwritten at a price of not less than A\$10.35 per share, representing:<ul style="list-style-type: none"><li>8.1% discount to closing price of A\$11.26 per share on 16 October 2017</li><li>7.7% discount to 5-day Volume Weighted Average Price (<b>VWAP</b>) of A\$11.21 per share</li></ul></li><li>The final offer price will be determined via the institutional bookbuild</li></ul>
Ranking	<ul style="list-style-type: none"><li>Shares issued via the Institutional Placement will rank equally with existing shares from the date of issue</li></ul>
Share Purchase Plan	<ul style="list-style-type: none"><li>IOOF will offer eligible Australian and New Zealand shareholders the opportunity to acquire up to A\$15,000 in New Shares via a SPP</li><li>The SPP will not be underwritten and IOOF reserves the right (in its absolute discretion) to scale-back applications if demand exceeds A\$100m or raise a higher amount</li><li>The issue price for shares issued under the SPP will be the lesser of:<ul style="list-style-type: none"><li>the offer price under the Institutional Placement; and</li><li>the VWAP of IOOF shares traded on the ASX over the five trading days up to, and including, the last day of the SPP offer period less a 2% discount</li></ul></li><li>No brokerage or transaction costs are payable for shares issued under the SPP</li><li>Shares issued via the SPP will rank equally with existing shares from the date of issue</li><li>An SPP Offer Booklet containing further details of the SPP offer will be sent to eligible shareholders</li></ul>

# Equity Raising timetable



Event		Date
Institutional Placement	Institutional Placement Trading Halt	Tuesday 17 October 2017
	Institutional Placement Conducted	Tuesday 17 October 2017
	Trading in IOOF Resumes	Wednesday 18 October 2017
	Settlement	Monday 23 October 2017
	Allotment of Institutional Placement shares	Tuesday 24 October 2017
Share Purchase Plan	Record Date for SPP	7:00pm on Monday 16 October 2017
	SPP Offer Period	Wednesday 25 October 2017 – 5.00pm Tuesday 14 November 2017
	SPP Pricing Period	Wednesday 8 November 2017 – Tuesday 14 November 2017 (inclusive)
	Allotment and Trading of SPP Shares	Tuesday 21 November 2017

*The timetable (and each reference in this presentation to a date specified in the timetable) is indicative only and IOOF may, at its discretion, vary any of the above dates by lodging a revised timetable with the ASX. All times referred to in this presentation are Melbourne time.*



## Glossary

# Glossary



Term	Definition
ADGs	Aligned Dealer Groups
ANZ FP	ANZ Financial Planning
Completion	Date by which ownership of ANZ Wealth Management transfers to IOOF
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FUAdmin	Funds under administration
FUAdvice	Funds under advice
FUM	Funds under management
IFAs	Independent financial advisers
OnePath Life	OnePath Life Limited – a Life insurance company owned by ANZ
Perimeter Adjustments	Perimeter Adjustments include the reclassification of certain products historically reported under a separate business unit as well as a number of new arrangements, including administration and fund management services in relation to certain legacy products, agreed with ANZ as part of the Acquisition
SME	Small-to-medium enterprises
Strategic Alliance Agreement	A 20 year strategic partnership with ANZ whereby IOOF has access to ANZ distribution channels
TSA	Transitional Services Agreement
UNPAT	Underlying net profit after tax
VWAP	Volume Weighted Average Price



## Key Risks

# Key risks



Prior to deciding whether to apply for New Shares under the Offer, you should read this presentation and the SPP booklet (as applicable) in their entirety and review all announcements made to the ASX in order to gain an understanding of IOOF, its activities, operations, financial position and prospects. You should be aware that there are risks associated with an investment in IOOF. These can be categorised as specific risks (that is, matters that relate directly to the Acquisition or IOOF's business) and general risks (those that relate to the industries in which IOOF operates in general). Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many are outside the control of IOOF and cannot be mitigated. The New Shares carry no guarantee in respect of profitability, return of capital or the price at which they will trade on ASX. An investment in IOOF is speculative. The following is not an exhaustive summary but identifies the areas the board of directors of IOOF regards as the major risks related to an investment in IOOF.

## Risks specific to the Acquisition

Completion Risk	<p>Completion of the Acquisition is conditional on certain matters as set out in the definitive sale agreement in respect of the Acquisition (<b>Sale Agreement</b>), which include certain regulatory approvals (including ACCC) and certain transfers or redemptions of interest occurring as part of the separation of the ANZ Wealth Management business. The satisfaction of these conditions will take time and the Acquisition is expected to complete in around 12 months (although the Sale Agreement provides a mechanism whereby Completion may occur at a later date). If any of the conditions are not satisfied or waived, Completion of the Acquisition may be deferred or may not occur on the current terms or at all.</p> <p>If the Acquisition is not completed as a result of a failure to satisfy conditions (or otherwise), IOOF will need to consider alternative uses for the proceeds from the Offer, or ways to return such proceeds to shareholders. If Completion of the Acquisition is delayed, IOOF may incur additional costs and it may take longer than anticipated for IOOF to realise the benefits of the Acquisition. Any failure to complete, or delay in completing, the Acquisition could materially and adversely affect IOOF's operational and financial performance and the price of its shares.</p>
Strategic Alliance Agreement	<p>IOOF has entered into an agreement with ANZ in respect of a long-term reciprocal strategic alliance in connection with the P&amp;I business to be acquired by IOOF as part of the Acquisition (<b>Strategic Alliance Agreement</b>). Pursuant to the Strategic Alliance Agreement, among other things, IOOF will make certain white label superannuation or pension products available to ANZ customers and ANZ will provide access to its network for the purpose of doing so.</p> <p>There are certain circumstances in which ANZ is permitted to cease distributing IOOF's white label products (<b>Trigger Events</b>), including if IOOF is not able or willing to make requested changes to the products, those products cease to comply with their specifications or meet required competitiveness standards, or if ANZ's distribution of the products would be contrary to law, likely to result in material damage to ANZ's reputation, result in ANZ customers acquiring an unsuitable product, or be inconsistent with ANZ's risk appetite formulated according to law. The Strategic Alliance Agreement includes processes to be followed before the Trigger Events result in ANZ ceasing to distribute the products. ANZ may terminate the Strategic Alliance Agreement in certain circumstances, including material breach of the agreement by IOOF, insolvency, engaging in conduct materially damaging to ANZ's reputation, failure to hold required licences or authorisations, undergoing a change in control or business sale, ANZ ceasing to distribute all of the white label products as a result of the Trigger Events occurring, material and persistent service level failures, IOOF becoming a sanctioned entity under the laws of certain countries, force majeure preventing IOOF performance of material obligations for 90 days, or failure to maintain a prescribed level of funds in ANZ banking products subject to fiduciary carve outs.</p> <p>If the Strategic Alliance Agreement is terminated or the Trigger Events occur, IOOF would cease to have access to the ANZ network and, as result, would have reduced access to ANZ customers for the purpose of making products available. This could have a material adverse impact on IOOF's revenue and profitability. In addition, termination of the Strategic Alliance Agreement or the occurrence of the Trigger Events would result in ANZ ceasing to be bound by the exclusivity arrangements in the agreement which place certain restrictions on the ability of ANZ to promote and arrange for the issue of superannuation or pension products issued by third parties. This may adversely affect IOOF's financial performance.</p>

## Risks specific to the Acquisition (cont'd)

<p>Impairment of Intangible Assets</p>	<p>ASIC has identified impairment of assets as an issue for Australian companies. The IOOF board regularly monitors impairment risk. Consistent with accounting standards, IOOF is periodically required to assess the carrying values of its assets. Where the value of an asset (including an asset owned by IOOF after the Acquisition) is found to be less than its carrying value, IOOF is obliged to recognise an impairment charge in its profit and loss account. Impairment charges can be significant and operate to reduce the level of a company's profits. Impairment charges are a non-cash item. In accounting for the Acquisition, IOOF will need to perform a fair value assessment of ANZ Wealth Management's assets (including intangible assets) and liabilities. The valuation of intangible assets is a complex and time-consuming process that may require specialist skills and detailed information about the business, which will become available to IOOF following Completion of the Acquisition. To the extent goodwill and indefinite life intangible assets are recognised in accounting for the Acquisition, they will be subject to annual impairment testing. Other identifiable intangible assets are amortised and assessed for any indicators of impairment in each reporting period. In the event that the recoverable amount of intangible assets is impaired, this will result in an additional expense in the income statement of the Group<sup>1</sup>.</p>
<p>Integration and Synergies</p>	<p>The acquisition of ANZ Wealth Management will be transformational for IOOF's business, operational profile, capital structure and size compared to that of IOOF on a standalone basis. There is a risk that the success and profitability of IOOF following Completion of the Acquisition could be adversely affected if ANZ Wealth Management is not integrated effectively. In this regard, there is a risk that integration could take longer, be more complex or cost more than expected, encounter unexpected challenges or issues, divert management attention or that the anticipated benefits and synergies of the integration may be less than estimated. Any failure to achieve the targeted synergies may impact on the financial performance, operation and position of the Group and the future price of IOOF shares. Possible problems may include:</p> <ul style="list-style-type: none"> <li>(i) differences in management culture between the businesses being integrated;</li> <li>(ii) Unanticipated or higher than expected costs, delays or failures relating to integration of businesses, information technology, accounting or other systems;</li> <li>(iii) loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees;</li> <li>(iv) failure to derive the expected benefits of the strategic growth initiatives; and</li> <li>(v) disruption of ongoing operations of other IOOF businesses.</li> </ul> <p>In this regard, it should be further noted that the separation of ANZ Wealth Management from ANZ and its subsidiaries (<b>ANZ Group</b>) will be a complex and lengthy exercise, and will require the provision of transitioned services by the ANZ Group to IOOF.</p>

1. The Group comprises IOOF and its subsidiaries (and, following Completion of the Acquisition, includes ANZ Wealth Management).

## Risks specific to the Acquisition (cont'd)

<p><b>Reliance on Information Provided</b></p>	<p>IOOF undertook a due diligence process in respect of the Acquisition, which relied in part on the review of financial and other information provided by ANZ. Despite making reasonable efforts, IOOF has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it.</p> <p>If any such information provided to and relied upon by IOOF in its due diligence and in its preparation of this presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of ANZ Wealth Management and the Group may be materially different to the expectations reflected in this presentation.</p> <p>Investors should also note that there is no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the Acquisition have been identified and avoided or managed appropriately (for example, because it was not always possible to negotiate indemnities or representations and warranties from ANZ to cover all potential risks). Therefore, there is a risk that issues and risks may arise which will also have a material impact on the Group (for example, IOOF may later discover liabilities or defects which were not identified through due diligence or for which there is no contractual protection for IOOF). This could adversely affect the operations, financial performance or position of IOOF.</p>
<p><b>Risks Associated with Existing Contracts and Agreements</b></p>	<p>IOOF and its subsidiaries (which, following Completion of the Acquisition, will include the entities acquired pursuant to the Sale Agreement) are party to various contractual arrangements, some of which are material to the operations of the Group. As part of the Completion of the Acquisition, certain contracts will also need to be transferred from the Target Group Entities so they are retained by the ANZ Group, and others transferred from other entities in the ANZ Group to the Target Group Entities being acquired. Further, some contracts which are being retained by ANZ will need to be replicated for the Target Group Entities being acquired. There is a risk that these contractual arrangements could be terminated, lost or impaired, or renewed or replaced on less favourable terms from time to time. Some of these contractual arrangements can be terminated without cause or on short notice periods (depending on the circumstances). Further, some contractual arrangements (including those relating to IOOF's existing debt facilities) may be breached or terminated as a result of the Acquisition or as a result of the proposed funding arrangements for the Acquisition (including the bridge facility contemplated by the commitment letter described below). The breach, termination or non-renewal of material contracts could have adverse consequences for the Group, including debt becoming repayable and other adverse effects on the Group's operational and financial performance or financial condition.</p>
<p><b>Risk Associated with the Size of the Acquisition</b></p>	<p>ANZ Wealth Management, if acquired by IOOF, will be a material part of IOOF's business. The increased relative exposure to superannuation, pension, investment and financial planning could adversely impact IOOF's financial position and performance if ANZ Wealth Management does not perform as expected.</p>



## Risks specific to the Acquisition (cont'd)

Historical Liabilities	<p>If the Acquisition completes, IOOF may become directly or indirectly exposed to liabilities that the Target Group Entities have incurred or are liable for in the past as a result of prior acts or omissions, including liabilities which were not identified during IOOF's due diligence or which are greater than expected, or for which IOOF was unable to negotiate sufficient protection in the Sale Agreement. Such liabilities may adversely affect the financial performance or position of IOOF after the Acquisition.</p>
Underwriting and Funding Risk	<p>It is intended that the Acquisition and separation / integration activities will be funded through a combination of debt and equity. The equity will be sourced from the Institutional Placement and the SPP. The Institutional Placement is fully underwritten but the SPP is not underwritten, meaning there is no certainty as to the amount that will be raised via the SPP.</p> <p>IOOF has entered into an underwriting agreement under which Morgan Stanley Australia Securities Limited (the <b>Underwriter</b>) has agreed to manage and underwrite the Institutional Placement, subject to the terms and conditions of the agreement. If certain conditions are not satisfied or certain customary termination events occur, the Underwriter may terminate the underwriting agreement. Those termination events include (amongst others): a breach of the agreement by IOOF; this presentation or the ASX announcement released by IOOF in connection with the Acquisition and the Offer being or becoming false, misleading or deceptive; certain adverse regulatory or governmental action in respect of the Acquisition or the Offer; termination or material breach or amendment of the Sale Agreement or debt commitment letter (as described below); hostilities or war involving certain countries (including North Korea); changes in laws in Australia or New Zealand; or certain other events. A number of these events will only give rise to a termination right where a materiality threshold (as outlined in the underwriting agreement) is satisfied.</p> <p>IOOF has entered into a commitment letter in respect of a bridge facility that may be utilised to part-fund the Acquisition (see page 21 of this presentation). The commitment to provide debt financing pursuant to that bridge facility is subject to certain conditions, including IOOF complying with the commitment letter (and certain other documents) in all material respects, execution of long-form documentation in respect of the bridge facility, and no changes in law or regulation which prohibit the provision or management of the bridge facility and which cannot be avoided or overcome. The lenders under the commitment letter have a termination right in the event certain circumstances arise. Those circumstances include failure of a condition (where such failure is not remedied within a prescribed period), the bridge facility not being utilised on or before 30 September 2018, and IOOF having failed or failing to disclose information to the lenders which could be relevant to their decision to provide the bridge facility.</p> <p>If the underwriting agreement or the debt commitment letter is terminated, or the SPP raises less funds than anticipated, this could result in IOOF not having access to sufficient capital to fund the Acquisition or undertake separation and integration activities. In this event, IOOF may need to seek alternative sources of funding, which may result in IOOF incurring additional costs (for example, by way of interest payments on debt) and/or restrictions being imposed on the manner in which IOOF conducts its business and deals with its assets (for example, by way of restrictive covenants binding upon IOOF). There is no guarantee that alternative funding could be sourced on satisfactory terms and conditions or at all. Failure to source alternative funding could result in IOOF being unable to perform its obligations to complete the Acquisition under the Sale Agreement (noting that there is no financing condition in the Sale Agreement) or being unable to implement the proposed separate / integration of ANZ Wealth Management. Any of these outcomes could have a material adverse impact on IOOF's financial position, prospects and reputation</p>

# Key risks (cont'd)



## Risks specific to the Acquisition (cont'd)

### Dilution

Shareholders will be diluted by the issue of IOOF shares under the Institutional Placement. Eligible shareholders should note that if they do not participate in the SPP, then their percentage shareholding in IOOF will be diluted to a greater extent than would otherwise be the case, and they will not be exposed to future increases or decreases in IOOF's share price in respect of the New Shares which would have been issued to them had they participated in the SPP.

## Risks to the Group

<p><b>Class Actions and Potential Claims</b></p>	<p>IOOF may from time to time be involved in legal, regulatory or other proceedings and disputes arising from its business and operations, including shareholder action and disputes with joint venture partners, contractors and other counterparties. IOOF may also be exposed to litigation in the future over claims, including by regulators or government agencies, which may affect its business. To the extent that these risks are not covered by IOOF's insurance policies, litigation or the costs of responding to these legal actions or potential legal action may cause IOOF to incur significant costs, delays and other disruptions to its business and operations, which could have a material adverse impact on IOOF's financial position, performance, earnings and share price. In addition, regulatory actions and disputes with governmental authorities may result in fines, penalties and other administrative sanctions.</p> <p>The Group is currently defending a number of complaints and claims brought against it. These include two class actions (the <b>AET class actions</b>) against a member of the trustee division of the Group, Australian Executor Trustees Limited (<b>AET</b>) in connection with its role as debenture trustee of Provident Capital Limited. The AET class actions involve claims for compensation by two groups of debenture holders who allege that AET failed in the performance of its duties as trustee to holders of debentures issued by Provident Capital Limited. Additionally, in August 2017, ICP Litigation Funding also announced that it is seeking expressions of interest from IOOF's shareholders in joining a class action, alleging that IOOF had breached its continuous disclosure obligations and possibly engaged in misleading and deceptive conduct. ICP states it is continuing to investigate whether there are good grounds to commence any action.</p> <p>IOOF is vigorously defending the AET class actions. The IOOF board is of the view that any potential loss arising out of these matters is currently extremely difficult to quantify. IOOF has notified its insurers of the AET class actions. As at the date of this presentation, IOOF's insurers have declined to grant indemnity in respect of the AET class actions. If the AET class actions should succeed and if IOOF's insurance policies are not available to cover any potential claims or losses, this could have an adverse effect on IOOF's financial position and its share price.</p> <p>Additionally, regardless of whether the AET class actions succeed, the publicity in relation to these matters may have an adverse effect on IOOF's reputation which may in turn affect its future revenues and financial position.</p>
<p><b>Decline in FUMAS</b></p>	<p>The P&amp;I business currently has approximately A\$48bn of funds under management. The Group will derive a significant proportion of its earnings from fees and charges based on the level of funds under management, administration, advice and supervision (<b>FUMAS</b>). The level of FUMAS will reflect (in addition to other factors such as the funds flowing into and out of FUMAS) the investment performance of those funds. Therefore, changes in domestic and/or global investment market conditions or poor investment performance of the products in which the Group's clients invest could lead to a decline in FUMAS, adversely impacting the amount that the Group earns in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest and decrease in the ability to attract new investors in the Group's financial products and services. Additionally, it is possible that some funds could reduce in size or be terminated. Similarly, the unitholders of a fund may have the right to remove the investment manager, responsible entity or trustee. This may reduce IOOF's assets under management with consequent reduction to management fees, performance fees, income, profit and Share value.</p> <p>As the Group's management fees are based on a percentage of FUMAS, a decline in FUMAS could have an adverse impact on the financial and operating performance and the financial position of the Group.</p>

# Key risks (cont'd)



## Risks to the Group (cont'd)

Competition	There is substantial competition for the provision of financial services in the markets in which IOOF operates. A variety of market participants in specialised investment fund management, wealth advice and corporate trustee services compete vigorously for customer investments and the provision of wealth management services and there is increasing commoditisation of financial services and products. These competitive market conditions may adversely impact on the earnings and assets of IOOF and the Group.
Information Technology	IOOF, and the financial services industry in general, relies heavily on information technology to conduct an efficient and cost effective business. Therefore, any significant or sustained failure or inadequacy in IOOF's core technology systems or cyber security could have a materially adverse effect on its operations in the short term, which in turn could undermine longer term confidence and impact IOOF's future profitability and financial position. In addition, IOOF faces the risk, common with other industry participants, that further technology changes will be required which could result in an increase in costs.
Security or Privacy of Data	<p>Failures or breaches of data protection and systems security can cause reputational damage, regulatory impositions and financial loss. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Australian Privacy Principles now govern privacy and data protection throughout Australia and significantly enhance privacy and data protection regulation.</p> <p>The protection of customer, employee, third party and company data is critical to IOOF's operations. IOOF retains a significant amount of customer, employee and third party information, including through its database of customers. Customers, employees and third parties such as suppliers will also have high expectations that IOOF will adequately protect their personal information.</p>
Fraudulent or Improper Behaviour	<p>IOOF has appropriate policies and procedures implemented in relation to the risk of fraud. However, particularly in relation to businesses where IOOF does not control the day-to-day operations, there is a risk that funds of the business of those held on behalf of clients or advice provided to IOOF's clients may be the subject of internal or external fraudulent behaviour. A significant or sustained failure in IOOF's core technology systems or cyber security could also expose IOOF to fraudulent behaviour.</p> <p>IOOF is also at risk of there being conflict of interest situations and undisclosed commissions earned by employees resulting in potential regulatory action or penalties.</p> <p>Any of the events described above may adversely impact IOOF's financial position and its reputation.</p>
Brands and Reputation	The Group's capacity to attract and retain financial advisers, employees, clients and FUMAS depends to a certain extent upon the brands and reputation of its businesses. A significant and prolonged decline in key brand value or adverse effects on group reputation could contribute to lower new business sales, reduced inflows of investment funds and assets, damage to client strategies and may impact adversely upon IOOF's future profitability and financial position. Matters which may give rise to adverse reputational consequences for IOOF include compliance issues, fraudulent behaviour and adverse media publicity.

# Key risks (cont'd)



## Risks to the Group (cont'd)

Provision of Investment Advice	IOOF's financial advisers and authorised representatives provide advice to clients and may be exposed to litigation if this advice is judged to be incorrect, or if the authorised representative otherwise becomes liable for client losses. While IOOF has attempted to manage this risk by having high educational, compliance and training standards for IOOF's advisers, and attempted to mitigate the potential financial impact by taking out appropriate insurance cover, there is no assurance that this will not occur. A claim against IOOF for incorrect advice could have a material adverse effect on IOOF's financial position and reputation, and on its future operations and revenues.
Credit Risk	Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss that arises from loans and other receivables. The Group's counterparties generally do not have an independent credit rating, and IOOF will need to assess the credit quality of the debtor taking into account its financial position, past experience of the debtor, and other available credit risk information. This risk may adversely impact on IOOF's future profitability and financial position.
Cash Flow and Fair Value Interest Rate Risk	<p>Interest rate risk is the risk to the Group's earnings and capital arising from changes in market interest rates. The financial instruments held that will be impacted by interest rate risk consist of cash and cash equivalents, loans, and borrowings. Short and long-term investment mixes and loans to related entities are influenced by liquidity policy requirements. Interest rates (both charged and received) are based on market rates, and are closely monitored by management. They are primarily at variable rates of interest, and will expose IOOF to cash flow interest rate risk.</p> <p>Whilst IOOF may fix some of its debt and/or enter into interest rate hedging arrangements, it will remain exposed to interest rate movements which may adversely impact IOOF's financial position and performance.</p>
Financing Risk	<p>IOOF's existing debt facilities will need to be refinanced at various maturity dates. The inability to refinance these facilities or to secure new financing on satisfactory terms could adversely affect IOOF's financial performance and prospects. To the extent that additional equity or debt funding is not available from time to time on acceptable terms, or at all, IOOF may not be able to take advantage of acquisition and other growth opportunities, develop new ideas or respond to competitive pressures.</p> <p>If at any time IOOF requires an extension to a facility but is unable to obtain it and is unable to repay the relevant facility, this will constitute a default under the other existing facilities and enable the financiers to demand immediate repayment and cancel the facilities. Cancellation of the debt financing arrangements would have an adverse impact on IOOF's financial position and performance.</p>
Liquidity Risk	Liquidity risk relates to IOOF having insufficient liquid assets to cover current liabilities and unforeseen expenses. While the Group manages liquidity risk exposure by maintaining sufficient liquid assets and an ability to access a committed line of credit, and the liquidity requirements for licensed entities in the Group are regularly reviewed and carefully monitored in accordance with those licence requirements, there is no assurance that this risk will not materialise. If liquidity risk arises, it may have an adverse effect on IOOF's future profitability and financial position.

# Key risks (cont'd)



## Risks to the Group (cont'd)

Reliance on AFSL, RSE and Other Licences	In order to provide the majority of its services in Australia, a number of IOOF's controlled entities are required to hold a number of licences, most notably Australian Financial Services Licence (AFSL) or Registrable Superannuation Entity (RSE) licences. If any of those entities fail to comply with the general obligations and conditions of its licence, this could result in the suspension or cancellation of the licence which enables it to operate key parts of its business. A breach or loss of licences could have a material adverse effect on business and financial performance of the Group. AFSL and RSE licences also require the licence holder to maintain certain levels of capital. These capital requirements may change from time to time. Earnings dilution may occur where IOOF is required to hold a higher capital base.
Insurance	<p>IOOF holds insurance policies, including for errors and omissions (professional indemnity) and directors and officers insurance, which IOOF regards as commensurate with industry standards, and adequate having regard to its business activities. These policies provide a degree of protection for IOOF's assets, liabilities, officers and employees. However, no assurance can be given that any insurance that IOOF currently maintains will:</p> <ul style="list-style-type: none"><li>(i) be available in the future on a commercially reasonable basis; or</li><li>(ii) provide adequate cover against claims made against or by IOOF, noting that there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire).</li></ul> <p>IOOF also faces risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings. If IOOF incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.</p>
Unit Pricing Errors	Systems failures or errors in unit pricing of investments are issues affecting the broader funds management industry that may result in significant financial losses and brand damage to a number of financial services organisations. A unit pricing error made by IOOF or its service providers could cause financial or reputational loss.
Dependence on Key Personnel	The Group's performance is dependent on the talents and efforts of key personnel. IOOF's continued ability to compete effectively depends on its capacity to retain and motivate existing employees as well as attract new employees. The loss of key executives or advisors could cause material disruption to operations in the short to medium term. While equity incentives of key personnel align their interests with the Group's future performance, they do not provide a guarantee of their continued employment.
Dependence on Financial Advisers	The success of IOOF's advice and platform business is highly dependent on the quality of the relationships that IOOF has with its financial advisers and the quality of their relationships with their clients. IOOF's ability to retain productive advisers is in turn dependent on service levels, technological capability, suitability of product offerings and the quality and relevance of professional training. The loss or deterioration of these relationships could adversely impact on IOOF's operation and future profitability or financial position.

## Risks to the Group (cont'd)

Acquisition and Divestment Strategy	<p>Consistent with the IOOF's announced long-term strategy of pursuing growth through accretive acquisitions, IOOF discusses potential opportunities for investments or divestments with third parties on a regular basis. These opportunities will on occasion progress to the stage where key terms are expressed as a highly conditional, non-binding indicative offer (<b>NBIO</b>). There is no assurance that any of these opportunities will progress beyond the NBIO stage or be concluded. IOOF will continue to pursue acquisitions on an opportunistic basis and where they present a logical strategic fit with the existing operations of the Group and are value accretive for shareholders. The funding of any such acquisitions will be considered on a case by case basis taking into account the relative cost of available funding sources and the impact on overall balance sheet structure.</p> <p>Additionally, IOOF shareholders should note that there is no guarantee that such a strategy will be successful and that acquisition transactions undertaken by IOOF involve inherent risks, including:</p> <ul style="list-style-type: none"> <li>(i) accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquired businesses;</li> <li>(ii) integration risks including the risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated;</li> <li>(iii) diversion of management attention from existing business;</li> <li>(iv) potential loss of key personnel and key clients;</li> <li>(v) unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the Acquisition; and</li> <li>(vi) decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business.</li> </ul>
Dilution	<p>IOOF's need to raise additional capital in the future in order to meet its operating or financing requirements, including by way of additional borrowings or increases in the equity of any of the consolidated entity's companies, may change over time. Future equity raisings or equity funded acquisitions may dilute the holdings of particular shareholders to the extent that such shareholders do not subscribe to additional equity, or are otherwise not invited to subscribe in additional equity.</p>
Future Payment of Dividends	<p>The payment of dividends on IOOF shares is dependent on a range of factors including the profitability of the Group, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the IOOF board having regard to its operating results and financial position at the relevant time. That said, there is no guarantee that any dividend will be paid by IOOF or, if paid, that they will be paid or franked at previous levels.</p>
Regulatory and Legislative Risk and Reform	<p>The financial services sectors in which IOOF operate are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions. The regulatory regimes governing IOOF's business activities are complex and subject to change. The impact of future regulatory and legislative change on IOOF cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance.</p>

# Key risks (cont'd)



## General risk factors

General Share Investment Risk	There are various risks associated with investing in any form of business and with investing in listed entities generally. The value of IOOF shares following the Offer will depend on general share market and economic conditions as well as the specific performance of IOOF. There is no guarantee of profitability, dividends, return of capital, or the price at which IOOF shares will trade on the ASX. The past performance of IOOF shares is not necessarily an indication as to future performance as the trading price of IOOF shares can go down or up in value. Additionally, a substantial proportion of IOOF's profits are generated from its investment portfolio. Consequently, investment performance significantly affects IOOF's profits and financial position.
General Economic and Political Conditions	Factors such as, but not limited to, domestic and international political changes, interest rates, exchange rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes, changes in employment levels, consumer and business spending, employment rates and labour costs may all have an adverse impact on IOOF's revenues, operating costs, profit margins and share price. These factors are beyond the control of IOOF and its board and IOOF cannot, to any degree of certainty, predict how they will impact on IOOF. The environment in which IOOF operates may experience challenging conditions as a result of general uncertainty about future Australian and international economic conditions.
General Regulatory Risk	Changes in laws, regulations and government policy may affect IOOF and the attractiveness of an investment in IOOF positively or negatively. The financial services sector in which IOOF operates is subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions.
Share Market Conditions	As IOOF is a listed company, the price at which its shares trade will be subject to the numerous influences that may affect both the broad trend in the share market and the share prices of individual companies and sectors. Investors should recognise that the price of New Shares may fall as well as rise.
Operational and Controls Risks	Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which impact on IOOF's business. IOOF is exposed to operational risk present in the current business including risks arising from process error, fraud, system failure, failure of security and physical protection systems and any pricing errors. Operational risk has the potential to have an effect on IOOF's financial performance and position as well as reputation.



# Key risks (cont'd)



## General risk factors (cont'd)

Capital Availability	Current economic conditions can impact on the availability of debt and equity funding that may be required to support the cash flow of a business. IOOF's development may be affected by availability of funding which would impact on its ability to establish business operations in the expected time frame and/or at its current levels.
Taxation	Future changes in taxation law in Australia, New Zealand and in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities in Australia or other jurisdictions, may impact the future tax liabilities of IOOF or may affect taxation treatment of an investment in IOOF shares, or the holding or disposal of those shares.
Accounting Standards	IOOF prepares its general purpose financial statements in accordance with IFRS and with the Corporations Act. Australian Accounting Standards are not within the control of IOOF or its board and are subject to amendment from time to time, and any such changes may impact on IOOF's statement of financial position or statement of financial performance.
Force Majeure Events	Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of IOOF and the price of the IOOF shares. These events include but are not limited to terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for IOOF's services.



## International selling restrictions

# International selling restrictions



This document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the **Provinces**) and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also to comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

# International selling restrictions

## Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106); (b) the Business Development Bank of Canada; or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the Acquisition, holding or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## European Economic Area - Denmark, Germany and Netherlands

This document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual consolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

# International selling restrictions

## France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 *et seq.* of the General Regulation of the French Autorité des marchés financiers (**AMF**). The New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

## Hong Kong

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities. The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

## Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

# International selling restrictions

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares; (ii) an "institutional investor" (as defined in the SFA); or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

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